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SUBJECT: ARAB ASSISTANCE TO THE PALESTINIAN AUTHORITY:
EGYPT AND THE ARAB LEAGUE

REF: STATE 146261 (NOTAL)

Sensitive but unclassified. Please protect accordingly.

1. (SBU) Reftel requests financial information on Egyptian and other Arab contributions to the Palestinian Authority in order to assist the work of Special Envoy James Wolfenson. MFA officials responded to post's request with the following information, noting that the financial data had just been compiled at the request of the Foreign Minister.

2. (SBU) According to the Egyptian MFA and confirmed by Arab League contacts, Arab assistance to the Palestinian Authority falls within the following categories. First, the Arab League administers two separate funds for the Palestinian Authority, one known as the "Al Aqsa Fund," and the second called the "Intifada Fund." The original capitalization target for the funds, which reportedly Arab states "do not differentiate between," was a total of one billion USD. The funds were set up shortly after the November, 2000 Arab Summit in Sharm El Sheikh but with only base capital of \$700 million USD. Furthermore, during the Beirut Arab Summit of 2002, leaders formally agreed to increase the funds' capitalization by an additional \$150 million USD. As of September, 2005, according to the Egyptian MFA, Egypt owed \$168.3 million USD for the funds. The money, however, would be very difficult to secure from the GOE Ministry of Finance, according to our MFA contacts, due to Egypt's lack of financial resources.

3. (SBU) The second main category of Arab funding to the Palestinians involves direct budgetary support to the Palestinian Authority. According to the MFA, leaders of the 22 Arab League member states agreed during their March, 2002 Beirut Summit to contribute a total of \$330 USD million every six months (\$660 million per annum) for direct budgetary support to the PA. That pledge was repeated during the following three Arab summits, leading to a total \$1,980 million USD (e.g., 3 times \$660 USD million) being pledged. Of this figure, our MFA contacts tell us that only \$608 million USD has actually been contributed by Arab states leaving a shortfall of \$1,372 million USD outstanding.

4. (SBU) According to the MFA, financial contributions from the Arab states have increased considerably over the past six months. Citing World Bank and PA Finance Ministry statistics, our MFA contacts tell us that \$146 million USD has been paid for direct PA budgetary support, with Algeria (\$77 million USD), Kuwait (\$40 million USD), and Saudi Arabia (\$15.4 million USD) being the primary sources. Saudi Arabia was the only state that had fulfilled its commitments, whereas Syria, Lebanon, Iraq, Libya, Somalia, Djibouti, Mauritania, and Comoros had consistently failed to make its payments. The few states where external pressure was likely to succeed in extracting committed funds for the PA, we were told, were Kuwait, Qatar, Bahrain, and Libya.

5. (SBU) Egypt regularly provides the Palestinian Authority with humanitarian assistance including medical supplies, food stuffs, ambulances, and other items, primarily through the Egyptian Red Crescent Society. Typically, this assistance (denominated in Egyptian currency) is channeled to an Egyptian bank account and drawn upon directly by the Palestinian Authority for the purchase of Egyptian supplies. We have also seen media reports that Egypt provided the PA with approximately \$1.7 million USD for building hospitals in remote areas of the occupied territories. In addition to the much publicised provision by Egypt of security-related training and assistance (both within Egypt and Gaza), the Egyptian government has also reportedly encouraged local businessmen to invest in commercial projects to help with the reconstruction and development of Gaza and the West Bank. We have heard reports that Egypt recently opened a representative office in Ramallah by which to pursue its interests in the West Bank. The only official representation that Egypt currently maintains in the territories is its Embassy in Gaza.

6. (U) Minimize considered.

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JONES